

**LAKE PONTCHARTRAIN BASIN
MARITIME MUSEUM, INC.
December 31, 2001**

Audit of Financial Statements of
Cooperative Endeavor with
State of Louisiana

December 31, 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/17/02

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Board of Directors
Lake Pontchartrain Basin Maritime Museum, Inc.

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and net assets – modified cash basis of the **Lake Pontchartrain Basin Maritime Museum, Inc.'s** Cooperative Endeavor with the State of Louisiana, and the related statements of revenues, expenditures and changes in net assets – modified cash basis for the four years ended December 31, 2001, as listed in the table of contents. These financial statements are the responsibility of the **Lake Pontchartrain Basin Maritime Museum, Inc.'s** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the **Lake Pontchartrain Basin Maritime Museum, Inc.'s** Cooperative Endeavor with the State of Louisiana as of December 31, 2001, and its revenues, expenditures and changes in net assets for the four years then ended.

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In accordance with *Governmental Auditing Standards*, we have also issued our reported dated January 31, 2002 on our consideration of the **Lake Pontchartrain Basin Maritime Museum, Inc.**'s internal control over the financial reporting for its Cooperative Endeavor with the State of Louisiana and our tests of its compliance with provisions of the Cooperative Endeavor.

Salvatore, Schmitt, Koenig & Hard

A Professional Accounting Corporation

January 31, 2002

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
COOPERATIVE ENDEAVOR
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
Modified Cash Basis

December 31, 2001

ASSETS	\$ -
Total Assets	<u>\$ -</u>
LIABILITIES AND FUND BALANCE	
Liabilities	\$ -
Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
COOPERATIVE ENDEAVOR
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Modified Cash Basis

	For The Years Ended December 31,			
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
REVENUE				
Cooperative Endeavor	<u>\$ 183,268</u>	<u>\$ 1,057,802</u>	<u>\$ 640,617</u>	<u>\$ 118,313</u>
Total Revenue	<u>183,268</u>	<u>1,057,802</u>	<u>640,617</u>	<u>118,313</u>
EXPENDITURES				
Museum and Research Center				
Planning	-	16,800	4,532	78,313
Construction	183,268	1,041,002	636,085	-
Facility Planning and Control Administration	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Total Expenditures	<u>183,268</u>	<u>1,057,802</u>	<u>640,617</u>	<u>118,313</u>
REVENUES IN EXCESS OF EXPENDITURES	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.
COOPERATIVE ENDEAVOR WITH STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Lake Pontchartrain Basin Maritime Museum, Inc. (the Museum) is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. On December 4, 1997, the Museum entered into a Cooperative Endeavor Agreement (the *Cooperative Endeavor*) with the State of Louisiana for the purpose of appropriating funds for the design and construction of the museum facility located in St. Tammany Parish. The Cooperative Endeavor provided for \$2,000,000 of funding, payable by the State's General Fund and administered by the State's Office of Facility Planning and Control.

BASIS OF PRESENTATION

The accompanying statements present the transactions pertaining to the Cooperative Endeavor, and are presented on the modified cash basis of accounting. Under that basis, resources utilized for the design and construction for the museum facility are recognized as expenditures on the statement of revenues, expenditures and changes in fund balance rather than as capital assets.

REVENUE RECOGNITION

Under the terms of the Cooperative Endeavor, funds provided by the State are restricted solely for the purposes authorized and permitted in Act 28 and in accordance with all provisions of law affecting the Cooperative Endeavor as well as the constitutional and statutory restrictions on the use of State funds for public purposes. As such, revenues are recognized only when resources have been expended in accordance with the terms of the Cooperative Endeavor.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Lake Pontchartrain Basin Maritime Museum, Inc.

We have audited the financial statements of the **LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM INC.**'s Cooperative Endeavor with the State of Louisiana as of and for the four years ended December 31, 2001, and have issued our report thereon dated January 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the **LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC.**'s Cooperative Endeavor are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the specific provisions of the Cooperative Endeavor, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described below:

Finding: The Museum did not comply with the State's Auditing and Financial Reporting Laws.

Criteria: Due to the amount of state assistance received by the Museum, the Museum was deemed to be a "quasi-public agency". A quasi-public agencies, as defined under Louisiana Revised Statute 24:513, include not for profit organizations that receives and/or expends in excess of \$25,000 in local and/or state assistance in any fiscal year. As such, quasi-public entities that receive \$50,000 or more in state or local assistance must comply with the State's Auditing and Financial Reporting Laws, as defined under Louisiana Revised Statute 24:513. The State's Auditing and Financial Reporting Laws requires the following:

- Any local auditee that receives between \$50,000 and \$350,000 in revenues in any one fiscal year shall cause to be conducted an annual compilation of its financial statements, to be accompanied by an attestation report on the entity's compliance with laws and regulations.
- Any local auditee that receives between \$350,000 and \$3,500,000 in revenues shall be audited once every two years. The audit shall include the transactions of both years.

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Effect: Future State assistance to the Museum may be restricted or limited.

Recommendation: Management should monitor the amount of State assistance it receives each year to determine whether it is subject to the State's Auditing and Financial Reporting Laws.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM INC.'s internal control over financial reporting pertaining to its Cooperative Endeavor with the State of Louisiana in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over the financial reporting pertaining to the LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM INC.'s Cooperative Endeavor with the State of Louisiana and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of the LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM, INC., the State of Louisiana, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties.



A Professional Accounting Corporation

January 31, 2002



CORRECTIVE ACTION PLAN

The Lake Pontchartrain Basin Maritime Museum, Inc. respectfully submits the following corrective action plan for the audit of its Cooperative Endeavor with the State of Louisiana:

Description of Finding: The Lake Pontchartrain Basin Maritime Museum did not comply with the States Audit and Financial Reporting Laws, as defined in Louisiana Revised Statute 24:513.

Corrective Action Plan: Management will monitor on an annual basis State and local assistance it receives and determine whether the State Audit and Financial Reporting Laws are applicable

Contact Person: David Carambat

Anticipated Completion Date: Immediately

David Carambat
Executive Director